CONTACT: Barry Holt
(212) 880-3475

Will Thoretz
(212) 880-3709

FOR IMMEDIATE RELEASE

PHILIP MORRIS REPORTS FIRST QUARTER RESULTS

OPERATING REVENUES UP 2.0%

OPERATING COMPANIES INCOME DOWN 3.6%

INCLUDING CUMULATIVE EFFECT OF 1993 ACCOUNTING CHANGE:

- **REPORTED NET EARNINGS UP 58.9%**
- **REPORTED NET EARNINGS PER SHARE UP 59.5% TO $1.34**

EXCLUDING CUMULATIVE EFFECT OF 1993 ACCOUNTING CHANGE:

- **NET EARNINGS DOWN 3.5%**
- **EARNINGS PER SHARE DOWN 2.9%**

NEW YORK, April 19, 1994 -- Philip Morris Companies Inc. (NYSE: MO) today reported net earnings of $1.2 billion, up 58.9%, and net earnings per share of $1.34, up 59.5%. The gains include the cumulative effect of an accounting change adopted in last year's first quarter.

Excluding the accounting change, net earnings were down 3.5%, and net earnings per share were down 2.9% from the prior year. Earnings were lower primarily because pricing for the company's premium cigarettes was higher in the first quarter of 1993.

2048300632

The accounting change, reflecting the cumulative effect of adopting Statement of Financial Accounting Standards No. 112, primarily to cover severance payments, reduced reported net earnings in the 1993 first quarter by $477 million, or $.54 per share.

"All of our businesses are off to a good start in 1994," said Michael A. Miles, chairman of the board and chief executive officer. "Our domestic tobacco business continues to improve, and our other businesses, led by a strong showing from international tobacco, are soundly profitable."

The company posted operating revenues in the first quarter of $15.5 billion, up 2.0%. Operating companies income declined 3.6% to $2.6 billion as a result of lower domestic cigarette pricing. Excluding domestic tobacco, operating income in the first quarter from all of the company's other businesses, in total, was up 9.1%, despite adverse currency movements.

Philip Morris continued to see profitable growth from its international operations, as overseas operating income climbed 13.0% to $1.0 billion, led by a strong performance from the company's international tobacco business.

The decline in net earnings was largely the result of a domestic cigarette pricing strategy Philip Morris adopted in the second quarter of 1993. The strategy, aimed at regaining market share and improving long-term profitability in the company's domestic tobacco business, narrowed the price gap between Philip Morris' premium cigarette brands and competitors' discount products.

The strategy has thus far proven successful, with the company recording impressive share and volume gains for **Marlboro** and its other premium brands since lowering prices.

Philip Morris during the first quarter raised its quarterly dividend by 6.2%, to $.69 per common share from $.65 per share, and resumed share repurchases under an existing board authority that was extended through the end of 1994. During the first quarter, the company repurchased 4.7 million common shares at a cost of $253.2 million.

2048300633

TOBACCO

Operating revenues from the company's worldwide tobacco operations were up 3.9% to $7.0 billion for the first quarter. Operating income, at $1.6 billion, was 7.8% lower than a year ago because of lower domestic cigarette pricing. Worldwide cigarette volume increased 12.2%, to 185.8 billion units, from the prior year.

Domestic Tobacco

Operating revenues for domestic tobacco were down 1.8%, to $2.5 billion, while operating income, at $769 million, was down 24.5% compared with last year's first quarter, due to lower pricing. Quarterly operating income, however, was at its highest level since the company's new pricing strategy was adopted in last year's second quarter.

Domestic cigarette volume, based on shipments, was 49.7 billion units, up 12.5% over 1993, primarily due to a change in distributor buying patterns. This compared with the industry's 8.4% increase for the quarter. **Marlboro**'s shipment volume in the U.S. was up 32.0%, to 29.9 billion units. For the quarter, the company's total shipment share was 43.1%, an increase of 1.5 share points from the year-earlier period, while **Marlboro**'s shipment share was up 4.6 points, to 25.9%.

More profitable premium cigarettes also claimed a greater share of the company's total product mix in domestic tobacco. Compared with shipments in the first quarter of 1993, the premium portion of the company's business was up 7.7 points to 79.2%.

At the retail level, according to the latest available A.C. Nielsen data*, the company's overall share of market was 45.6%, up 4.0 points from March 1993, before the company lowered its premium cigarette prices. The February 1994 Nielsen figures also indicate that retail share for **Marlboro** was 27.3%, an increase of 5.2 share points compared with March 1993.

**Nielsen retail data is for February 1994, the latest month for which figures are available. Retail shares have been restated to reflect the company's change to a more representative Nielsen survey of retail outlets .*

2048300634

Retail share of Philip Morris' other premium brands, as a group, climbed to 9.1% in February 1994, up from a low of 8.3% in August 1993, when the company lowered their wholesale list prices. The industry's premium segment share, as a whole, has grown more than 5 share points, to 67.3%, since March 1993, with the discount category shrinking by the same amount.

International Tobacco

International tobacco continued its pattern of strong growth in the first quarter. Operating revenues rose 7.3%, to $4.5 billion, and operating income advanced 17.4%, to $791 million, despite unfavorable currency movements.

International cigarette unit volume, including U.S. exports, was 135.8 billion units, up 12.3% from a year ago. Gains were recorded in most markets, including Germany, Japan, Central and Eastern Europe, the Middle East, Argentina and Brazil.

In Italy, volume continued to grow, excluding the effect of an inventory replenishment in early 1993 following a union strike. Volume declined in Turkey due to the economic situation in that country.

Marlboro's international volume also grew, increasing 6.1% to 67.8 billion units. International volume also continued to grow for the company's other U.S.-heritage brands, such as **Virginia Slims**, **Parliament**, **L&M**, and **Chesterfield**.

Philip Morris' market share trends continued to be positive in its major international markets, with record shares achieved in Germany, Italy, France, Finland, the Czech Republic, Japan, Singapore, Argentina and the Dominican Republic.

During the first quarter, the company continued to expand its international tobacco operations by investing in a tobacco processing plant in Malaysia.

FOOD

Operating revenues for the company's worldwide food businesses were down 0.1%, to $7.4 billion, in the first quarter due primarily to the sale of underperforming businesses in North America, and adverse currency movements. Operating income

increased 2.2% to $880 million, benefiting from volume growth, acquisitions and the sale of the unprofitable businesses, partially offset by unfavorable currency movements.

North American Food

At $5.2 billion, operating revenues from North American food operations were 1.3% lower than a year ago, primarily reflecting the company's sale last year of its frozen desserts business, including the **Breyers** and **Sealtest** brands, and its Birds Eye frozen vegetables business. First-quarter operating income advanced 2.7%, to $638 million, helped by solid performances in core businesses such as cheese, grocery, cereals and processed meats, as well as by the sale of the underperforming businesses.

In cheese, volume rose 3.5% for the quarter. Contributing to the increase were share gains for **Kraft** Singles and **Kraft Deluxe** Slices. In addition, volume for **Kraft** Natural Cheese was up, benefiting from a list price reduction last year.

In grocery, volume grew for **Kraft** pourable dressings, and volume and share advanced for **Kraft** barbecue sauce. Frozen pizza also had a strong quarter, recording double-digit volume gains on the geographic expansion of **Tombstone** and **Jack's** and overall category growth. Volume for **The Budget Gourmet** frozen entrees benefited from the continued success of its **Special Selections** pasta line introduced last year.

In processed meats, Oscar Mayer volume continued to perform strongly, particularly in the hot dog and lunch combinations categories. Two recent product introductions, **Big & Juicy** hot dogs and **Lunchables** Fun Pack lunch combinations, continued to show promising results.

In the beverage business, price reductions on **Kool-Aid** taken in the fourth quarter of 1993 lowered first-quarter income but resulted in market share gains. In addition, **Capri Sun** registered good volume and share gains, which were driven by expanded distribution.

Volume growth in the cereals business resulted from strengthened marketing behind the **Nabisco** brands acquired last year. In the bakery business, volume was up due to continued growth in frozen and fresh bagels.

Coffee volume declined due to the escalation of competitive promotional activity in the roast and ground category, but income was up strongly for **Maxwell House**, primarily on productivity gains, and for specialty coffees, due to higher sales.

International Food

International food operating revenues increased 2.7% to $2.2 billion, and operating income, at $242 million, climbed 0.8% from the year-earlier period, despite unfavorable currency movements. Excluding currency, operating income was up 12.5% for the quarter.

Volume was ahead of last year, driven by the strong performance of the company's confectionery business. In Germany, the largest confectionery market in Europe, chocolate tablet volume was up on the continued success of **Milka Big Size**. Volume performance in countlines (filled chocolate bars) was also strong, largely due to the introduction of new products, **Milka Tender** and **Milka Fresh**.

The company continued to build its business in Central and Eastern Europe, achieving significant volume growth in both coffee and confectionery in the first quarter. Expanding its geographic presence in the region, the company acquired a majority stake in S.C. Poiana-Produse Zaharoase S.A. Brasov, Romania's leading chocolate manufacturer.

BEER

At Miller Brewing Company, operating revenues advanced 5.7%, to $1.0 billion, and operating income of $103 million was 10.8% higher than last year's first quarter. Results reflect the company's acquisition of Molson Breweries U.S.A. Inc. in the second quarter of 1993. With the acquisition, Miller gained U.S. import operations and marketing and distribution rights for **Molson, Foster's** and other imported brands.

Including the Molson brands, Miller's shipment volume for the quarter grew 5.1%, to 10.8 million barrels, compared with an estimated 1.1% volume gain for the U.S. malt beverage industry.

The company's new ice-brewed products -- **Lite Ice**, **Icehouse** and **Molson Ice** -- showed strong results in the quarter. **Miller Genuine Draft** volume was up, as were shipments of **Miller High Life** in markets where it was successfully repositioned with near-premium pricing. **Miller Lite** volume was down.

FINANCIAL SERVICES AND REAL ESTATE

Financial services and real estate operating income increased 12.5% for the first quarter. Philip Morris Capital Corporation's financial services operating income increased 12.1%, primarily due to gains on sales of marketable securities.

Operating income from real estate operations was up for the quarter, reflecting increased sales in Colorado.

* * * * * *

Philip Morris Companies Inc. has five principal operating companies: Philip Morris U.S.A., Philip Morris International Inc., Kraft General Foods, Inc., Miller Brewing Company, and Philip Morris Capital Corporation.

Kraft General Foods, Inc. has three operating groups, Kraft General Foods International (including Kraft Jacobs Suchard), Kraft Foodservice Inc., and Kraft General Foods North America, which has four operating units: General Foods USA, Kraft USA, Kraft General Foods Canada and Kraft Food Ingredients Corp.

Philip Morris Capital Corporation is engaged in financial services activities. Its subsidiary, Mission Viejo Company, is engaged principally in land planning, development, and sales in Southern California and Colorado.

###